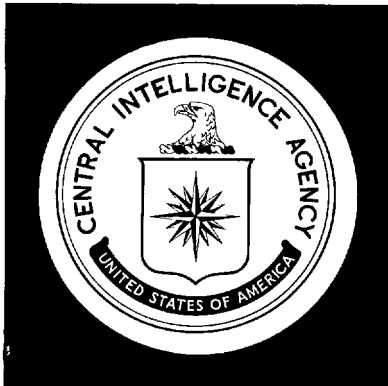


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DIRECTORATE OF
INTELLIGENCE

WEEKLY SUMMARY

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18 February 1972
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The WEEKLY SUMMARY, issued every Friday morning by the Office of Current Intelligence, reports and analyzes significant developments of the week through noon on Thursday. It frequently includes material coordinated with or prepared by the Office of Economic Research, the Office of Strategic Research, and the Directorate of Science and Technology. Topics requiring more comprehensive treatment and therefore published separately as Special Reports 25X1 listed in the contents pages.

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MALTA: DRIFTING ALONG

The most recent talks between Prime Minister Mintoff and British Defense Secretary Lord Carrington made no progress, though an agreement still appears possible. In talks with Mintoff on 13 February, Italian officials were given the impression that he favors concluding an agreement with the UK if some face-saving device can be found. Mintoff told the Italian ambassador to Malta that he had abandoned his intention of seeking additional funds from Libya, but he still needs an immediate cash payment larger than that offered by the UK and its NATO partners. The allies had agreed to make payments for the use of military facilities retroactive to last October, so that Malta would receive a backdated \$6.8 million upon signature of a new accord, as well as a six-month advance payment of \$18.2 million on 1 April on next year's rental. Rome has advanced a compromise formula that would increase the amount of money immediately available.

In the absence of an agreement, London is continuing its withdrawal and next week will begin disassembling its major installations. In addition, all British-employed Maltese workers are scheduled to receive dismissal notices on 25 February. However, Lord Carrington told Parliament this week that if an agreement is reached soon, the withdrawal will be halted and the military will begin "putting things back."

The economic implications for Malta of the prolonged negotiations are serious. Pending resolution of the conflict with Britain, the business community on the island is holding off on new investment and drawing down inventories. The populace is postponing purchases of consumer durables, preferring to hold on to their money. Falling domestic demand coupled with a depressed tourist sector have given further impetus to the rising rate of unemployment that existed prior to Mintoff's taking office.

Measures taken by the Mintoff government have acted as a further constraint on economic

activity. Government expenditures have been curtailed, resulting in the cancellation of projects and suspension of payments on public works contracts. Mintoff, in acting to control rising prices and imports, has made necessary the rationing of some goods on the island.

The slowdown in economic activity, however, could be reversed if confidence were restored through an agreement with the British and its NATO allies. Should the negotiations fail, economic conditions can be expected to deteriorate rapidly. The British presence involves direct spending of approximately \$31 million yearly on Malta. Taking into consideration the secondary effects of these expenditures, the British account for an estimated 20 percent of Malta's gross domestic product. If London withdrew its military forces, some 5-6,000 people employed at the bases would lose their jobs. This would bring the number of jobless to about 12 percent of the labor force, excluding secondary effects resulting from the loss of the British payroll.

There are no politically viable economic alternatives that could fully maintain employment and promptly restore confidence in the private sector. The USSR and Libya have reportedly offered to inject large sums of money into the Maltese economy. Even if one or the other does so, it would not immediately have a significant impact on employment and investment. The government could use such funds to make welfare payments to workers now employed by the British and to revive suspended public works contracts, but additional, useful projects could not be developed rapidly. Indeed, the ability of the Maltese economy to absorb increased investments is limited. Moreover, the private sector is unlikely to respond to this kind of a dramatic change in foreign policy by rapidly increasing investment. Foreign investors would also remain skeptical.

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Cyprus: Makarios Says No

The Greek attempt to oust President Makarios has created a volatile situation. Pro-Makarios and pro-Athens forces on the island remain poised, and a single misstep could easily set off violence.

Events have moved rapidly since 11 February when Greek Ambassador Panayotakos delivered an ultimatum to Makarios. Athens insisted that Makarios turn over his recently acquired Czech arms to the UN forces on Cyprus and form a new government, including supporters of General Grivas and excluding leftists and Communists. Orally, Panayotakos added that his government insisted that the archbishop resign as president and leave the island. Makarios publicly rejected the demands, and the situation has remained stalemated.

There is good evidence that Athens is using the Czech arms issue as an excuse to move against Makarios. It also appears that Athens sought out Turkish views before delivering the demarche to the archbishop. Ankara has strongly supported the Greek demand that the arms be surrendered to the UN and apparently has decided to give the Greeks a free hand in achieving their other goals. The longer the arms question remains unresolved, however, the greater the chance that Ankara's concern for the safety of the Turkish Cypriot community will precipitate a military move by Ankara. Press reports from Turkey have begun to reflect the worry that Greek Cypriot clashes could spread to the Turkish community. In addition, there are press reports that Ankara has placed some of its forces in southern Turkey on alert.

Makarios is confident that time and international opinion are on his side.

Contrary to initial speculation in

Athens, most Greek Cypriot politicians have rallied to his side.

The next move appears to be up to the Greeks. Athens probably



In happier times: Makarios and Grivas in 1959.

would like to avoid using direct unprovoked force since events have gained international attention. Now that the power play seems to have failed, Athens is probably hoping that demonstrations on the island will lead to fighting within the Greek Cypriot community. This would justify military intervention to restore order.

The Greeks appear to believe they can control General Grivas, but his past record indicates that he is dangerous and unpredictable. Other elements adding instability to the situation are the leftists and Communists, who have so far laid low on Makarios' instructions. Student supporters of Makarios and Grivas have clashed once so far in a minor incident.

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Mexico: Getting Back to Salinity

Mexican Government officials once again are making a pitch for quick action on the old, technically complex, politically sensitive problem of salinity of Colorado River water flowing into Mexico. Foreign Minister Rabasa recently described the problem as the number one issue between the US and Mexico. He said that President Echeverria would like a settlement as soon as possible. Failing this, Rabasa said, international arbitration may be necessary.

After 1961, when Mexico protested a new drainage system in the Wellton-Mohawk region of Arizona for increasing the salinity of the Colorado, the US took measures to improve the situation. By 1965 a five-year agreement with Mexico had been concluded to improve the water quality. Last November, when a one-year extension was due to run out, the Mexicans opted

for another one-year extension in the hope of getting better terms than were then under consideration.

Mexico's long-held position on salinity in the Colorado has not wavered significantly under the Echeverria administration. The foreign minister has been a major proponent of the tough approach, to the extent of perhaps occasionally misrepresenting Echeverria's views. Rabasa says that an immediate improvement in the condition of the waters is necessary to meet political pressure from Mexicali Valley farmers. He says that, if this is not accomplished soon, Mexico would have to give serious consideration to third-party arbitration. Echeverria has rejected this approach in the past, however, saying that the problem can be solved amicably.

Recently, new irritants have been introduced. One is the use on the US side of insecticides that allegedly contaminate the Colorado and harm marine life where the river water reaches the Gulf of California. The Mexicans also indicated that they object not only to the Wellton-Mohawk drainage but also to similar use of other waters below the Imperial Dam that increases the salinity of the Colorado. Rabasa has asserted that Mexico had a right to receive all water directly from Imperial Dam. He added ironically that if Baja California were part of the US, farmers there would be receiving water comparable to that used by farmers in California and Arizona.

The Mexicans seem to be taking a calculated hard-line approach in hopes of squeezing more concessions from the US. The government probably calculates it would suffer political embarrassment at home if it signed a long-term agreement not popular with farmers and influential citizens. It can be expected to press its demands on the US more strenuously in the future.



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Indochina

WAITING FOR ACTION IN THE SOUTH

The Communists did not sustain the level of military and terrorist actions noted last week, but there are persistent signs that they plan a more impressive show of strength soon.

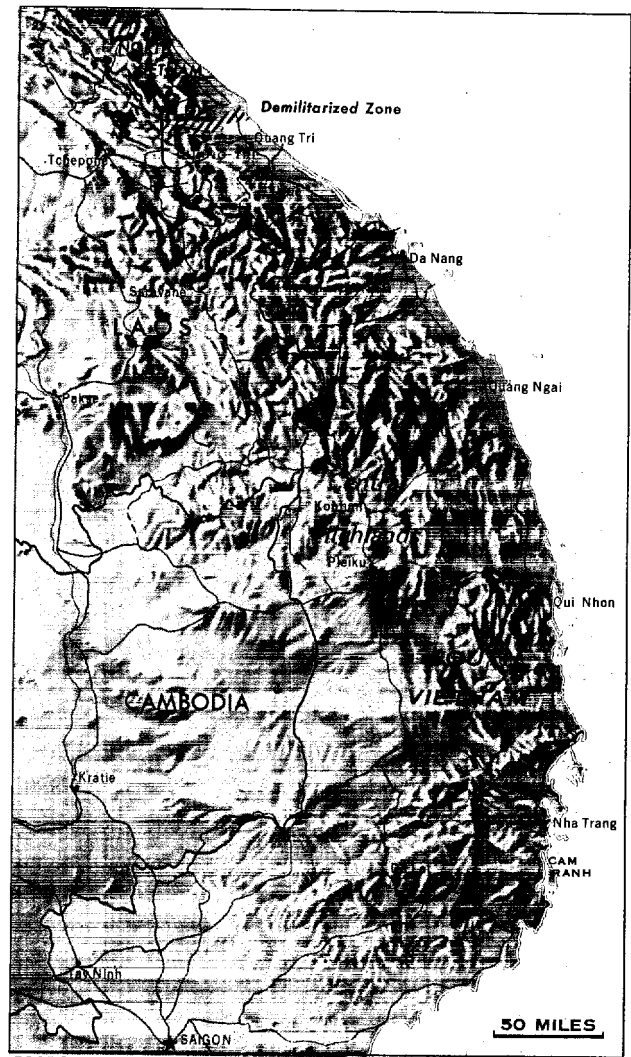
US and South Vietnamese field commanders reported a number of small, scattered incidents during the 24-hour allied Tet truce early in the week, but no heavy ground fighting developed then or during the four-day Communist Tet stand-down as the enemy's larger units held back. Allied air and ground forces have been trying to disrupt Communist battlefield preparations throughout the country.

A war of nerves is taking place in a number of threatened provinces, especially along the central coast, where Viet Cong cadre are openly warning villagers of impending attacks and demanding they participate in local "uprisings." UNCODED, late intelligence reports strengthen earlier indications that significant enemy initiatives are UNCODED the offing. Captured prisoners and other sources in the northern provinces and near Saigon have mentioned various dates later this month as possible times for the kick-off of offensive activity.

The buildup of North Vietnamese forces is also continuing in the central highlands. Several North Vietnamese units in the highlands have recently been observed moving into attack positions near South Vietnamese strongpoints.

WARNINGS FROM HANOI

On the eve of President Nixon's trip to China, Hanoi is once again voicing its concern over big-power summitry. The theme of numerous articles in both the party's daily and its theoretical journal is apprehension that the US will be able to exploit dissensions within the Communist world to bring about, in the words of one article, "a detente among various big coun-



tries while continuing to intimidate small nations." The Soviet Union and the Chinese are both named explicitly in this connection. One article refers to a speech by President Nixon last July that allegedly envisages five superpowers (including the Soviets and the Chinese) determining the future of the world. "This is obviously a doctrine of big powers deciding the fate of

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smaller countries, a very obsolete doctrine indeed," the article states.

Hanoi is even lecturing Peking and Moscow directly. "Because these socialist countries have become increasingly strong in every respect, how can they accept the view that Nixon has a new concept and a practical, intelligent attitude?" the theoretical journal demands. "It is certain that with all of its policies, the United States will always consider the USSR, the PRC, and other socialist countries as its dangerous enemies."

Some of this outpouring may reflect an estimate that North Vietnam stands to lose propaganda points unless it weighs in with some rhetorical flourishes on the eve of President Nixon's trip. But the worry behind the rhetoric seems genuine. The North Vietnamese clearly are concerned about how their own traditional policy toward the Soviet Union and China fits in with the new political alignments they see developing, both in Asia and among the three superpowers. Reason may tell them that they still can probably keep the Soviets and the Chinese in line by playing them off against each other, but the long-standing Vietnamese distrust of big power maneuvering obviously persists.

Moscow Gets in Step

The Soviets have finally commented authoritatively on the recent Vietnamese Communist negotiating proposals. In a statement on 11 February, the Soviets dismissed recent US proposals as another "political maneuver." The Soviets praised the Communists' seven-point program, and the subsequent clarifications of it, as providing a realistic and constructive basis for a settlement.

The delay in the Soviet reaction may result in part from Hanoi's own tardiness in providing guidelines. The Soviets may also be timing their pronouncements to President Nixon's trip to China in an attempt to make propaganda points with Hanoi at Peking's expense. Their main theme

is that recent Chinese statements condemning the US and supporting North Vietnam are sham and that China actually endorses US policy in Indochina. Moscow also gave a big propaganda buildup to the Versailles conference last weekend to which the Vietnamese Communists have attached much importance.

Sihanouk Hits Town

Prince Sihanouk arrived in Hanoi on 12 February for an "unofficial visit," according to Hanoi media. The tone of the announcement suggests that there are no plans afoot for the Indochina "summit meeting" that [] have been speculating about ever since the former Cambodian head of state said, late last year, that he would be making the trip. Sihanouk has said there will be a joint statement with the North Vietnamese at the end of his three-week visit.

CAMBODIANS TAKE SOUNDINGS

Last month, the rumor mills in Phnom Penh were grinding out stories that the Cambodian Government was actively seeking an accommodation with the Communists. Heated denials of any deals in the works were soon forthcoming from both Phnom Penh and Hanoi. But now it turns out that the officials in Phnom Penh may not have been telling the whole story. []

[] Prime Minister Lon Nol did discuss the possibility of negotiations with the North Vietnamese in talks with the Soviet charge in Phnom Penh last month. It is not clear who initiated the conversations—the Soviets apparently have been making some effort to give the impression that they are willing to play a mediating role—or whether Lon Nol was any more receptive to the idea of a real accommodation than he has been in the past. [] that the prime minister requested Indonesia's assistance in arranging contacts with the North Vietnamese.

If Lon Nol is once again expressing some interest in the possibility of a negotiated

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settlement of the Cambodian war, this would not be especially new. Last year, he had an emissary in Paris who made contacts with the Soviets, the Chinese Communists, and possibly even the North Vietnamese, but nothing of consequence developed. The more important and unanswered question is whether Lon Nol is prepared to make meaningful concessions to the Communists in exchange for a diminution, or even cessation, of the Cambodian war, and what exactly the Communists would be willing to settle for.

BATTLE BREWING IN NORTH LAOS

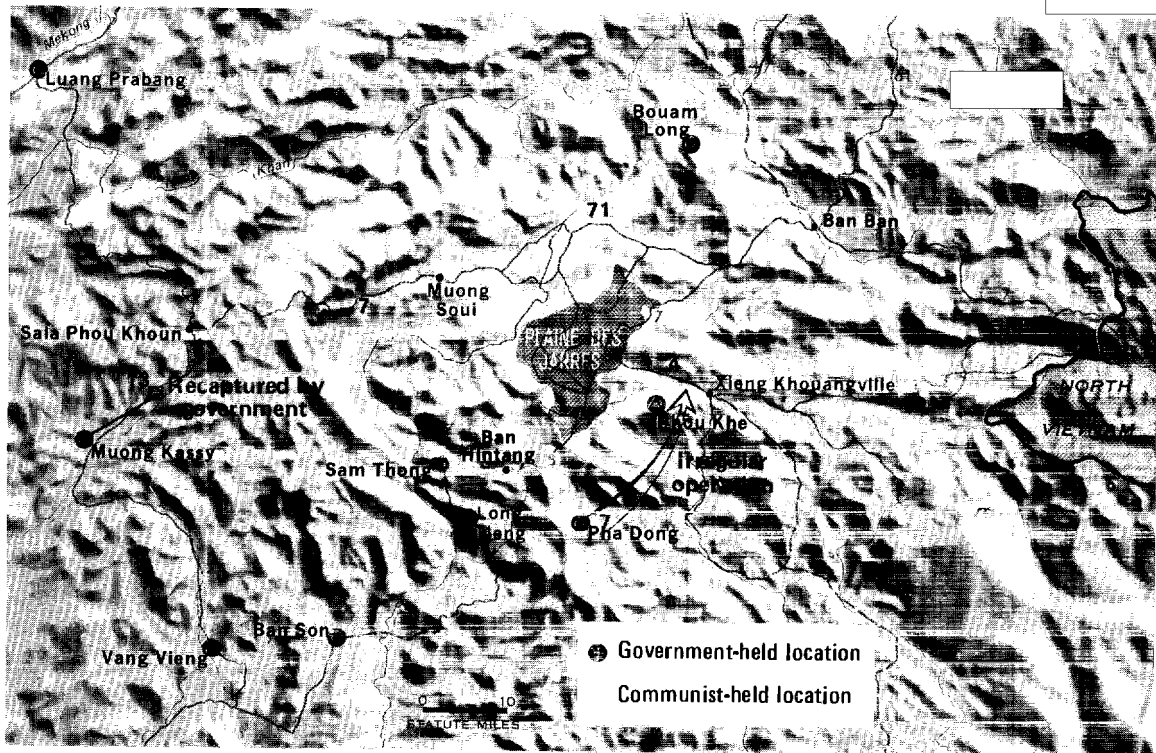
Vang Pao's irregulars are continuing their march toward Communist lines of communication and supply bases on the Plaine des Jarres. Resistance is increasing. One element of the 5,000-man task force is near Route 4 and plans to move through the hills to the north, but most of the irregular force is still in the foothills southeast of the Plaine.

Vang Pao's offensive operations seem to have caught the Communists by surprise. The irregulars moving from Pha Dong maintained radio silence and apparently eluded detection for several days.

Five North Vietnamese regiments remain in the Sam Thong and Long Tieng area. These units, which have received substantial quantities of supplies and replacement troops in the past few weeks, harass and probe the positions of the 6,500 irregulars defending the government base.

Another Government Push

Other government forces are moving northward along Route 13, the main road between Vientiane and Luang Prabang, hoping to recapture ground recently lost to the Communists. Lao Army battalions recaptured Muong Kassy last week and intend to push on to Sala Phou Khoun, at the junction of Routes 7 and 13.



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Japan: Defending the Defense Budget

Opposition parties in the Lower House, charging that the government violated normal legislative procedure by rushing the budgetary process, have been boycotting Diet proceedings for more than a week. Conflicting testimony on defense matters by cabinet ministers has aggravated the controversy.

The military budget for fiscal 1972 is a relatively modest, non-controversial one. It involves no major shifts in Japanese defense policy. Expenditures of \$2.6 billion are planned, an increase of 19.6 percent over last year. However, government spending as a whole is scheduled to expand 21.8 percent, so the portion of the total national budget allocated for defense will decline slightly. A substantial portion of the increases for fiscal 1972 are for one-time expenditures related to Okinawan reversion.

The opposition and the media are fanning fears in some circles that Sato is keeping his real intentions on defense planning hidden from the public. The administration's critics argue that increases in defense spending are incompatible with the current atmosphere of detente in the Far East and are provocative to some of Japan's neighbors. They also object to expanding the military budget when, they claim, additional funds are needed for environmental control and social welfare projects. In Diet debate before their boycott, the opposition parties focused their attacks on cash outlays for new weapons, in particular trainer, transport, and reconnaissance aircraft.

Sato does not appear to have worked out a strategy for restoring parliamentary order and ensuring passage of the budget by the end of the month. He is reluctant to force unilateral passage of the budget, for this would revive charges that the ruling Liberal Democratic Party uses its overwhelming Diet majority to ram through its policies.

In a compromise gesture on 15 February, Sato—who has been adamantly opposed to any defense budget revisions—offered to cut off the \$11-million allocation for aircraft purchases and development. Further budget paring or political concessions, such as the resignation of the Defense Agency director, may be necessary and in either case the prime minister's prestige would suffer. Whatever Sato's decision, the government's sensitivity to public disapproval will make it more difficult, at least temporarily, for Washington to obtain Japanese cooperation on relocating and consolidating US bases, particularly where an outlay of funds is required.

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Korea: More Talks About Talks

Seoul and Pyongyang raised their political maneuvering to a new level in the past several weeks, as both set forth proposals ostensibly aimed at bringing about bilateral talks on Korean issues. While designed largely for propaganda impact at home and abroad, the statements nevertheless implied a mutual willingness to explore the possibility of a political dialogue at some point in the future.

Pyongyang was first off the mark with an interview on 10 January granted by Premier Kim Il-sung to a Japanese newspaper. In keeping with the image Pyongyang is trying to project these days, Kim was reasonable and flexible. He called for a "peace pact" with the south and an expanded dialogue at the Red Cross talks. He seemed to imply that he was no longer demanding a US withdrawal from South Korea prior to any agreement with Seoul. This latter point was clarified in an interview with another Japanese paper published later in January. In it, Kim clearly stated that he was asking for an "immediate peace agreement" with the South prior to a US withdrawal and for the first time called

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for bilateral discussions with the government party in Seoul in talks separate from those at Panmunjom.

While Kim's statements appeared directed to an international audience and the South Korean public, parallel statements by Seoul were directed largely at the home audience. Speaking to the nation on 11 January, President Pak called upon Pyongyang to renounce its aggressive policy of unification and spelled out his policy for dealing with the North. He cited South Korea's need to secure itself militarily and economically so that it can continue to deal with Pyongyang from a position of strength. Pak's remarks were taken a step further in a Foreign Ministry statement on 12 February. The statement, which contained a four-point proposal, was harder in tone and more

specific than the President's and seemed designed to convince the South Korean public that the government is alert to Pyongyang's game.

The differences in approach on this subject reflect the two sides' differing analyses of the importance of international opinion on the Korean question. Pyongyang clearly calculates that it has a great deal to gain by portraying itself as the more reasonable and accommodating of the two parties. It probably believes that such an approach will win it new support at the UN and elsewhere. Conversely, Seoul fears that international events are moving against its interests, and, while conscious of world opinion, it has opted to give priority to strengthening its domestic position in anticipation of eventually having to deal with the North.

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THE PHILIPPINES: ECONOMIC PROBLEMS

Manila's monetary stabilization program, now heading into its third year, has temporarily alleviated the country's balance-of-payments problems, but it has had only minimal impact on stimulating economic growth.

During the first year of the stabilization program, exports grew about 24 percent and imports actually declined some four percent. While much of the export growth came from increased world prices for Philippine commodities, the over-all trade balance improved considerably and showed the smallest deficit in many years. In 1971, some of the 1970 gains on the trade account were lost. Exports in 1971 grew only three percent and imports six percent, but the trade deficit was still relatively small.

Despite these improvements in the balance of payments, the economy still faces serious problems. Production of rice, the country's main crop, has stopped increasing following a promising start with the new miracle rice. As a result the Philippines are facing large rice shortages for the first time in many years. These shortages, combined with peso devaluation and a tightening of imports, have added to inflation. In 1971 alone, prices rose about 20 percent and now stand nearly 50 percent above the pre-stabilization price level. Urban unemployment continues serious. Non-agricultural employment grew only slightly, and the continued inflow of people into urban areas has raised urban unemployment to 10-15 percent of the total labor force.

The outlook for the economy remains uncertain. The government is faced with a problem; accelerated economic expansion requires a substantial rise in imports, and this would seriously disrupt the Philippine balance of payments. So far, the government has shown little inclination to formulate an effective development program. It also is unlikely to challenge the control of the economy by an elite that draws off a disproportionate share of the country's income.

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Focus on Europe in Paris Talks

President Pompidou and Chancellor Brandt may have given some impetus to European Community plans for economic and monetary union and to the experiments in foreign policy consultation among the community members. Their semi-annual meeting last week in Paris provided the occasion for Pompidou to stress again his advocacy of a "truly European Europe" able to hold its own in dealing with the US and the Soviet Union.

The agreement reached "in principle" on EC economic issues renews France's earlier commitment to move toward some economic policy coordination along with increased monetary integration. The difficult specifics of this new "inter-dependence"—long demanded in even a stronger form by West Germany—remain to be nailed down. Pompidou and Brandt called for the creation of a committee of government officials to propose measures to harmonize national economic policies. They agreed that the permissible margin of fluctuation among community currencies should be reduced and that these margins should be maintained through intervention by central banks, in part with community currencies. They agreed to coordinate central bank efforts to stem short-term speculative capital flows. Representatives of the Six have already begun meetings



to discuss these proposals along with similar ones from the EC Commission.

Pompidou and Brandt also called for the creation of a permanent secretariat to aid the EC's "political consultations." The feeling has been growing among the Six that some such mechanism is necessary to handle the growing work load of these foreign policy deliberations. The two leaders, however, may not fully agree on how independently this secretariat should function. Other differences between them were suggested by the absence of any reference to Brandt's longstanding desire for improved institutional links between the EC and the US.

During the Brandt visit, Pompidou emphasized that progress toward economic and monetary union was a decisive test of a "European will." Warning that the "European political concept" was at stake, he said the EC's enlargement to ten nations must not lead to its dissolution into a vague free-trade zone. While conceding that the US must still play a key role in European defense, Pompidou stressed that a true partnership between the US and Europe must be based on a more equal distribution of power. Pompidou's references to European "independence" may have been influenced in part by his desire to allay Soviet concern about France's role in promoting West European unification. His formula, "proving our European will while respecting our national identities," may give some reassurance to Moscow in that it implies a relatively weak community. It may, however, lead some of his community partners to question again the fidelity of his "European" commitment.

The themes of last week's summit will likely be echoed when Pompidou meets Prime Minister Heath in Britain on 19-20 February and will also be at the center of a summit meeting of the Ten later in the year. At that time, it may be more difficult to ignore the institutional problems involved in finding expression for a "European will."

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European Security: North to Helsinki

With the East pushing harder for a Conference on Security and Cooperation in Europe, some Western allies are responding with increased diplomatic activity. NATO allies are agreed that formal multilateral talks about such a conference must wait until the Berlin agreement comes into force. They do not expect the conference to start until 1973. Nevertheless, some of them are opening a dialogue with the Finns in Helsinki, where conference preparatory talks are likely to be held.

Most of the European allies interpret the communiqué the NATO ministers issued last December as authorizing more active contact with the Finns. Despite US efforts to discourage this interpretation, the Norwegians and the Danes already have sent special missions to Helsinki. The French and Italians say that they will explore questions of conference preparations through their ambassadors in Helsinki.

They all claim that their talks concern only technical questions. There are, however, as many interpretations of "technical" as there are allies. The French have adopted the most liberal interpretation. They will seek to discuss their approach to preparatory talks, including which countries should take part, the level of participation, and the official languages—always a burning question to the French.

The British and West Germans plan no such contacts with the Finns but will not try to discourage the other allies. Bonn does want to establish guiding principles to be used by the allies in bilateral talks. The Finns, for their part, are trying to make themselves available but not to push too hard.

The NATO allies have much work to do to prepare Western positions for such a conference. They now are considering how to incorporate military security issues in a conference agenda. Most NATO members want a strong link between the conference and mutual and balanced force reductions. Bonn and London argue that one way to make the connection would be to include on a

Western agenda a variety of proposed East-West stabilization measures, such as exchanges of observers at military maneuvers, prior notification of exercises, and establishment of observation posts.

NATO's initiative on force reductions, meanwhile, remains on dead center. The allies are unsure what to do next, given Soviet unwillingness to receive the explorer mission of former NATO secretary general Brosio. Most of the allies now believe that the Soviets will never accept Brosio. They probably will choose to make no public change in the mission's status until the next NATO ministerial meeting in May.

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Finland: The Best-Laid Schemes

Although President Kekkonen committed his considerable prestige to forcing the early formation of a new government, almost seven weeks have gone by since Finland's national election and he has yet to find a combination of parties willing to make the necessary compromises. Meanwhile, domestic debate on reaching an arrangement with the European Communities has grown shriller, and decisions required to renew the country's economic stabilization program will soon be needed. Thus, Kekkonen's planned trip to Moscow later this month may take place before he gets his domestic house in order.

Immediately following the election, Kekkonen took the highly unusual step of calling together for informal negotiations the five parties he wanted in the next government. However, the working groups set up on 11 January accomplished precious little by the end of the month. Then, in February, Kekkonen formally named Social Democratic party chairman Passio to form a government, but again there has been little progress.

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The Social Democrats and the Center Party remain divided on agricultural policy, the issue that brought down the last government, and both parties are essential if a majority government is to be formed. The Communists, moreover, proved particularly quarrelsome. Facing a divisive party congress late next month, the party consistently evidenced more interest in making a record popular with its constituency than in negotiating seriously. Among its demands have been a roll-back of recent price increases and no arrangement with the European Communities. On 16 February, it announced it had dropped out.

The Communists are not the only Finns opposed to an accord with the Communities. Opposing forces are already organized and have mounted a serious propaganda campaign. In part to undercut their effectiveness, Kekkonen earlier this month publicly rejected the Communities' initial offer, and a Foreign Ministry delegation visited Moscow on 8-9 February to explore the possibilities for cooperation with the Council for Economic Mutual Assistance. The Finns probably do not see collaboration with the council as an alternative, but they probably do believe a link would help inhibit a Soviet veto of any future arrangement with the Communities.

The Soviet factor also looms large in the governmental difficulties. Finland's newly elected parliament again has a non-socialist majority, but Kekkonen believes he needs a center-left or left government acceptable to Moscow. The Communist decision not to join, on the other hand, was made only after a party delegation traveled to Moscow earlier this week. In the end, only a minority government—or a continuation of the present civil servant government—may be possible, with continued governmental instability the primary result.

Yugoslavia: Emigre Terrorism

The emigres, heartened by the political upheaval in Croatia, see a chance to strike a blow for an independent Croatia. Terrorism, however, is not likely to have this effect. It almost certainly will elicit a widespread positive response to calls to close ranks and observe greater vigilance in the face of outside meddling in Yugoslavia's internal troubles.

Indeed, January has already seen an upsurge in emigre violence. After emigres claimed responsibility for the crash of a Yugoslav airliner that left Stockholm for Belgrade three weeks ago, tight security precautions were put into effect in Sweden on aircraft bound for Yugoslavia. Similar measures are in force at West German airports. In other terrorist incidents last month, two compartments of a Vienna to Zagreb express train were severely damaged by a bomb; a mail clerk was killed in the Zagreb office of *Borba* when a package exploded; and a retired worker was maimed when a parcel blew up in front of the airline office in Belgrade.

The emigres are mindful of Tito's advanced age and the stresses that will accompany his passing from the scene. The Croatian crisis heightened this awareness and spawned the new terrorism. There is, however, an element of desperation in the violence. Organizations such as the anti-Communist, Croatian nationalist *Ustashi* have found it more difficult to operate in countries such as West Germany. Because of its excellent relations with Belgrade, the Bonn government has been keeping even closer tabs on them. They therefore feel an urgent need to dramatize their cause.

The bombings in January and threats of new terrorism dramatically underscore to most Yugoslavs the dangers of which Tito spoke. Although he might have been hard pressed to prove his allegations of emigre meddling when he moved against the Croatian nationalists in December, the emigres are now proving his point.

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Pakistan: Problems for Bhutto

Economy Faltering

The economic situation in West Pakistan has worsened during the past month. Industry is operating at less than 30 percent of capacity, according to one estimate. The downturn is attributed primarily to deepening uncertainty, to anxiety among investors and to the sagging morale of management. The loss of the East Pakistan market and the halt in new foreign aid have contributed to the growing uncertainty, production cutbacks, labor unrest, and crippling strikes. The business community is particularly unhappy with the labor unrest, while labor, which enthusiastically jumped on the anti-industrialist bandwagon started by President Bhutto, is unhappy with the recently announced limited labor reforms by the government. The new government has done little concrete planning for the future, probably in part because no decision has been made on military spending.

The agricultural outlook brightened somewhat in the last two weeks because badly needed rain has ended the drought; summer crops of cotton and rice look exceptionally good. Over the longer term, farmers are awaiting expected land reforms. Bhutto must choose between the probable disruptive effects of large-scale re-allotments of land and popular resentment if reforms are too narrow in scope.

On the balance-of-payments scene, deficits are continuing but imports have been reduced and exports remain strong. The extended deadline for foreign exchange repatriation has passed with little in the way of new inflows and the business community is waiting for Bhutto's reaction. Despite modest foreign exchange reserves, however, Islamabad has partially lifted its unilateral debt moratorium by repaying interest on official debt to Japan.

Political Pressures

Although the sagging economy presents the most severe immediate problem, Bhutto faces many conflicting pressures in the political sphere as he tries to establish a civilian government that is both accessible to the public and responsive to its demands.

One of the most contentious issues is the continuation of martial law, which Bhutto says will be lifted "much before" the end of the year. His unwillingness to set a definite date antagonizes his political opponents, who realize that government by proclamation gives Bhutto time to consolidate his power. Furthermore, retention of extraordinary powers could enable Bhutto to present the national assembly, when eventually summoned, with a fait accompli on a variety of controversial matters that the assembly might not readily accept, despite the substantial majority of his Pakistan People's Party. Consequently, disparate political opposition groups appear to be coalescing around Wali Khan's National Awami Party/Revisionist. They are united at least momentarily by a determination to press Bhutto to set a date for convening the national assembly and begin drafting a new constitution. Bhutto has called for nationwide elections to municipal and local political offices on 15 March, but it appears the major political parties, except his own, will boycott the elections if martial law is still in force.

The four provincial assemblies are slated to convene on 23 March. Of particular interest will be the extent of Bhutto's willingness to accede to demands for greater provincial autonomy, and the strategy he employs to contain separatist sentiment in the Northwest Frontier Province and in Baluchistan. He has appointed members of his party as governors in these two anti-Punjabi,

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autonomy-minded provinces in an effort to establish his control there.

Bhutto has moved skillfully to gain public support in his first seven weeks in office, but he is beginning to feel the burden of economic discontent and social agitation. Civilian demands are coupled with competing claims from the military for a larger share of scarce economic resources. Bhutto's decisions will be closely scrutinized by the army, which remains the strongest organized element in Pakistan and may be tempted to seize power again if Bhutto falters. [REDACTED]

ambitions for hegemony in the Persian Gulf. The Iraqis look to Moscow for nearly all of their military equipment, and the fact that they pay promptly in hard currency may have tempered any Soviet reservations. Indeed, reflecting on the anti-Communist purges in the Sudan, the Soviets probably felt the time was ripe for a renewed expression of Moscow's military support for the Arab states. The USSR, moreover, was aware that the Chinese competition had offered Iraq economic credits and small amounts of military aid.

Moscow remains particularly interested in petroleum in Iraq, where the Soviets for the first time are participating in the development of a national oil industry in a less-developed country. Exploitation of the North Rumaila oil field is primarily a Soviet aid project, financed by credits extended in 1969. In a \$222-million economic aid pact signed last April, the Soviets agreed to build a refinery at Mosul and to lay two pipelines. The pact also calls for Soviet assistance in such projects as the construction of a canal between the Tigris and Euphrates, and building hydro-electric facilities.

Soviet-Iraqi Relations Improving

Soviet-Iraqi relations, which have blown hot and cold over the years, are warming up. The deputy chairman of the Revolutionary Command Council, Saddam Tikriti, the current strong man in the Iraqi Government, completed a one-week visit to Moscow on 16 February. His delegation included high-ranking military and economic officials who probably wanted to discuss in detail implementation of the record-breaking military and economic aid agreements signed between Moscow and Baghdad last year. During the visit, Baghdad announced that the Soviet leaders had accepted an invitation to visit Iraq.

Last fall, Moscow agreed to deliver a wide range of military equipment worth about \$250 million to Iraq. The initiative for this agreement probably originated with the Iraqis, who are confronted with Israel as well as with Iranian

The improvement in military and economic ties has not yet removed political differences between the two. The Soviets have failed to get the ruling Baath Party to accept the UN Security Council resolution for a political settlement to the Arab-Israeli deadlock, or to permit the Iraqi Communist Party a measure of political freedom. The Iraqis have resented previous Soviet statements calling for Kurdish autonomy within the Iraqi republic, and unsuccessfully tried to get Moscow to denounce Iran's seizure of several islands in the Persian Gulf. [REDACTED]

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Egypt: More Patience, Brothers

In a presidential address on 16 February and in a series of meetings with student representatives, the Sadat government has tried to convince the nation to be patient.

Addressing the national congress of the Arab Socialist Union, President Sadat expressed his understanding of the frustrations bothering many Egyptians. He appealed for more "patience and silence" while the nation prepared itself for protracted military and political struggle. Indicating that there was a limit to the Egyptian patience, Sadat warned that Egypt could not remain indefinitely in a state of "no war - no peace." The blame for the Middle East impasse was laid at the doorstep of the US.

Sadat did not make public any details of his recent trip to Moscow, saying they would only be revealed to a closed party session on 17 February. The visit, however, was again characterized as "highly successful." He has given little indication of any new arms deals but has asked for concerted efforts to "absorb sophisticated weapons" and threatened to strike Israel "deep in its own territory," if it strikes at Egypt's interior.

Referring to student protests in January, Sadat denied any intention of trying to stifle Egypt's youth. He said that they must express their unhappiness through the establishment. This apparently has also been the message conveyed during the intensive dialogue that has been conducted between government officials and student leaders during the academic holiday ending this weekend.

Although Sadat had little to say to alleviate student unhappiness, he appealed for understanding and announced the release of the "hard core" of students detained during the January protests. The government is obviously concerned about a

recurrence of demonstrations when Cairo's major universities reopen, though Alexandria University resumed classes last weekend with no apparent sign of trouble.

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During his Wednesday address, Sadat threatened to resign if he loses the confidence of the people, a move he may hope will prove sobering to some Egyptians. He gave no indication that he was seriously contemplating such a move, but, if the domestic situation were to worsen, he might be tempted, a la Nasir, to make the gesture in order to gain a renewed mandate.

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Qadhafi and the Battle of Destiny

One of Premier Qadhafi's candid speeches has attracted attention because it suggested that Qadhafi may have softened his usual position as the leader of the Arab hawks and aligned himself closer to the Egyptian policy of seeking a political settlement in the Sinai Peninsula, if one can be had.

On 1 February, Qadhafi addressed units of the Egyptian Army at Aswan. In the presence of Sadat, Qadhafi said quite bluntly that the Arabs would not attack the Israelis until they were ready. He added that Libya supported Egypt fully on the Palestine question and would back it if it came under pre-emptive attack. He emphasized, however, that the Arabs should go to war only "when confident of the outcome of the battle."

The Libyan Armed Forces journal, *Al-Jundi*, often an outlet for Qadhafi, followed up with an

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editorial on 7 February that took a similar line, lamenting the fact that the Arab armies are still unable to meet the military challenge of Israel. In doing so, the publication eschewed the inflammatory rhetoric so common to its pages.

These statements may mark no more than a temporary shift in Libyan militancy. The Libyan premier has often spoken in ambiguous terms about the "battle of destiny." At times, he appears to mean only the battle of Arab peoples for unity. At others, Qadhafi is patently referring to the ultimate military battle by which the Arabs hope to regain Palestine.

Despite Qadhafi's reputation, even among Arabs, for being a "wild man," several of his speeches show that he is using bluntness with shrewd political effect. While there is no indication of the part played by Sadat in influencing Qadhafi's speech, Egyptian policy toward a political settlement seems certain to be bolstered by Qadhafi's endorsement. [REDACTED]

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Sudan: One of Cairo's Men is Out

President Numayri's removal on 13 February of Minister of Defense Khalid Hasan Abbas was a bold stroke designed to silence a powerful and ambitious critic. The move against the pro-Egyptian Abbas also underlined Numayri's determination to persist in an independent policy unfettered by deep involvement in the Arab fight with Israel.

Numayri's careful preparations for the power play belie his bland announcement that Abbas had resigned for personal reasons and remained a loyal supporter of the regime. Three

days before the move, Numayri met with ranking military commanders and apparently gained their acquiescence. In anticipation of possible counter action, Khartoum was placed on military alert. Numayri's precautions were justified. Abbas was a powerful figure in the regime. In addition to holding the defense post, he was commander in chief of the armed forces and one of Sudan's three vice presidents.

There are indications that Numayri and Abbas had been at odds on policy matters for some time. Abbas, known for his Arab nationalist leanings, had been urging that Sudan join the Confederation of Arab Republics. In this, he very likely was acting at the behest of the Egyptians and Libyans, who have been unsuccessfully pressing Numayri to come in.

Assuming that Numayri can make the ouster stick, he will have strengthened his popularity with Sudan-first elements in the army and with the general public. These groups are more concerned about solving the country's internal problems than they are about taking part in a pan-Arab struggle with Israel, and they resent Egypt's tradition of meddling in Sudan's internal affairs.

Cairo's intervention in the Abbas affair was made clear to all when Egyptian President Sadat publicized the urgent dispatch of his foreign minister to Numayri this week to express his "concern." The Cairo announcement contained more than a hint at possible countermeasures. So far Egyptian pressure has not swayed Numayri. On the contrary, Cairo's increasingly visible attempts to bend Numayri's will appear to be building for him a reservoir of popular support. [REDACTED]

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Zaire: Render Unto Caesar

President Mobutu has warned the Catholic Church in Zaire that it faces further government pressures if it continues to oppose his plans for developing a national identity for Zaire. Mobutu's position was upheld by a meeting of the political bureau of Zaire's sole political party on 15 February. The church's leading spokesman against Mobutu's efforts, Cardinal Malula, the archbishop of Kinshasa, departed for Rome on 11 February at strong papal urging. Malula had been the target of a concerted government campaign, clearly orchestrated by Mobutu from his Swiss vacation retreat.

The campaign against Malula began a month ago when the archbishop openly criticized Mobutu's name-changing campaign as contrary to canon law. Mobutu's line of attack included calls for Malula's prosecution for treason, and Mobutu has made it clear that priests who pray for the cardinal will themselves be regarded as "subversive." Elements of the party youth wing will monitor church services to verify that no such prayers are said. The cardinal himself faces arrest if he returns to Kinshasa.

Mobutu, in a major address upon his return from Lausanne, made no references to the government's temporary closure last month of the church's printing facilities or the seizure of the church's seminary in Kinshasa by elements of the party youth wing. He did, however, make a concession by allowing Zairians to have Christian names on their ID cards. The replacement of Christian names for "authentic" Zairian names was the focus of Malula's criticisms.

The church is not likely to be reassured by this Mobutu concession or by his insistence that his argument is with Malula alone. Church officials are concerned over the government's tendency toward deification of Mobutu and its continuing efforts to bring the church under closer control.

The Malula controversy has obscured the campaign being conducted against Zaire's Protestant churches as well. These churches, which operate mainly outside Kinshasa and are thus always suspected of agitating among the people, face the possibility of having their charters revoked. A new national law, ostensibly passed to give the government some control over the plethora of Protestant denominations in the country, in effect gives the government the power to review and challenge church credentials. The law may be used as a way of pressuring those churches to conform to Mobutu's vision of national objectives. Protestant churches wishing to be recognized must fulfill certain financial, membership, and educational requirements established by the law and must have filed for recognition by 15 February.

What Mobutu wants from the churches is nothing less than complete fealty to his drive for a Zairian "authenticity," and he apparently believes that their continued independence will stand in the way of his goals. Thus, all churches in Zaire, and particularly the Catholic Church, which accounts for 80 percent of the country's roughly 11 million Christians, face continued government challenges to their autonomy.

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In happier times: Mobutu and family at Papal audience, May 1968.

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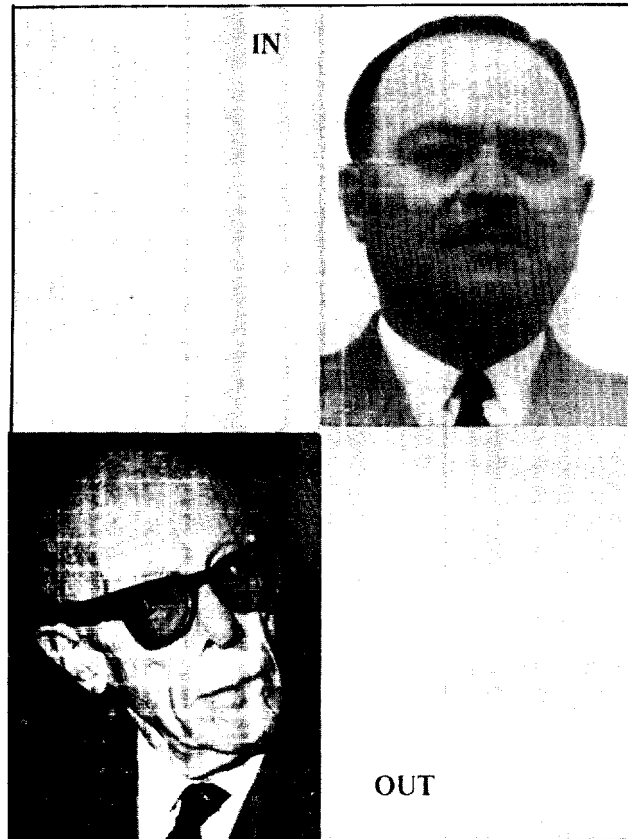
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Coup in Ecuador

The overthrow of President Jose Maria Velasco Ibarra on 16 February capped several months of on-again, off-again coup plotting. The new president, General Guillermo Rodriguez, seemed reluctant to move, but the plot acquired so much momentum that he had to go along. As army commander, Rodriguez was the most powerful military officer, and for this reason the conspirators worked with him. Should he show hesitation in office, however, he may well be cast aside by the military junta, which will be composed of the chiefs of the navy and air force and a new army chief.

The coup was staged to prevent populist politician Assad Bucaram from campaigning in the presidential election that had been scheduled for June. Military leaders and the oligarchy opposed Bucaram's reform plans and were alienated by his demagoguery. Like the military, Velasco was strongly opposed to Bucaram, but he wanted to serve out his entire term. He had completed only one of four previous presidential terms. Velasco had hoped to hold the election on schedule and then turn over the government to a military dictatorship in August. The military, however, believed that this scenario would put them in the position of nullifying elections and ousting a popularly elected president before he had had a chance to show what he could do. In addition, Bucaram was scheduled to visit Quito on 18 February, and the plotters feared his appearance there might generate so much popular support that a move to cancel the elections would be more difficult.

The first act of the new government was to cancel the presidential election. Velasco has been sent to exile in Panama, and Bucaram may follow soon. The new government is characterized as nationalist, military, and revolutionary. It probably will undertake a number of much-needed reforms in an effort to attract the younger officers who supported Bucaram. Many Ecuadorean officers have expressed admiration for the Peruvian military government, and they may attempt to emulate it. The military junta that governed from 1963 to 1966 provided Ecuador with one of its most efficient and effective administrations in



some time. The military apparently intends to look carefully at the financial records of the previous government with an eye to prosecuting former officials.

The new government is not expected to be any less rigid than its predecessor on the question of Ecuador's claim to a 200-mile territorial sea limit. In addition, it probably will continue the tentative moves made under Velasco toward an accommodation with China and Cuba. The new government may also try to increase Ecuador's share in the profits of US-owned oil companies that are scheduled to begin production after mid-year, when the \$150-million pipeline from the eastern oil fields to the Pacific coast is completed

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Argentina: Labor Strikes Back

The Peronist-controlled General Confederation of Labor has called a nationwide 48-hour general strike for 29 February and 1 March to protest President Lanusse's wage policy. The confederation's secretary general also announced that a formal protest will be lodged with the International Labor Organization, charging the Argentine Government with violating the organization's convention guaranteeing collective bargaining. Moderate leaders prevailed over their hard-line colleagues in choosing a "passive" strike.

The confederation's executive committee is to meet again on 13 March to consider further action and, if Lanusse has not yielded on the wage issue, an "active" struggle plan is likely to be adopted. The President is scheduled to be out of the country during the strike, visiting Colombia and Venezuela from 24 February through 1 March.

expensive efforts to keep both of Allende's opponents in the 1970 presidential race. Equally important, the party is determined to protect its expanding membership and efficient organization from contamination by its coalition partners. It blames their chaotic campaign performance and their embrace of extremists for opposition victories in last month's by-elections. Sensitive to charges that they would impose their will on a government party, the Communists prefer to work out the customary sweetheart agreements on coalition candidates rather than a unified slate and common campaign.

Many leaders of the other significant Popular Unity party, the Socialists, regard elections as superfluous obstacles in a revolution. Nevertheless, many of them hold high elective or appointive office and are unwilling to cede their influential role. Since the good Socialist showing in municipal elections last April, sloppy organization and internal power struggles have weakened the party. Socialist officials may now calculate that they would do better for themselves and inhibit the Communists more in a single-party effort.

Four smaller coalition elements have been told by Allende that they must combine by mid-March. They may think the formation of the single party would supersede that edict and allow them to look after their own interests. On the other hand, the Communists and Socialists resent the small parties' share of patronage as disproportionate to their voting strength and value to the coalition.

Meanwhile, the irrepressible Movement of the Revolutionary Left continues to argue publicly that the Popular Unity is denying its own revolution. Hecklers from the Movement so infuriated Allende this week that he lost his temper and screamed back at them. Still, the Movement is likely to be more effective in its propaganda efforts than in defying Allende. Pro-Movement journalists and workers appear to be in effective control of Chile's most sensational and widely read tabloid. The extremists continue their ideological attack against the Communist Party,

Chile: Political Adjustments

President Allende's argument that his Popular Unity coalition must create a single party to win the 1973 congressional elections is gaining headway among his supporters. Despite misgivings, his colleagues may have warmed to the plan when recent high-level meetings were hamstrung by inter-party wrangling. These meetings were held to try to iron out the coalition's many internal problems, which had been exacerbated by arguments over the recent cabinet shuffle. If press reports that a single party will be formed are accurate, immediate organizational efforts will be needed to meet legal requirements by May.

Christian Democrats have already introduced legislation to impede formation of a government party, but time limitations may nullify the attempt. The only sure means of defeating a unified government electoral effort would be the formation of a single opposition party, a task that would have to surmount many hurdles.

The Communist Party particularly questions this concept. Its leaders prefer keeping opposition forces divided and have cited the success of their

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accusing it of confining the Chilean revolutionary struggle to sterile anti-imperialism and of misquoting Lenin.

bandwagon rolling. The two real contenders in the presidential race, Col. Arturo Molina of the governing party and Jose Napoleon Duarte of the left-of-center coalition, both publicly express confidence.

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Venezuela: No Consensus on Oil

Apprehension over President Caldera's squeeze on the oil companies is beginning to surface. The public is beginning to perceive that the current dispute is more serious than past company-government conflicts.

The government at first concealed the extent of the cutbacks in oil production, but recently Caldera and others have acknowledged the cutbacks, describing them as an assault on national sovereignty. Although the cutbacks are largely due to abnormally low fuel oil demand on the US Eastern seaboard this winter, the government insists that the companies are deliberately challenging its recent imposition of export quotas.

Early this month, Caldera roundly condemned the oil companies and called for a "grand front of the whole nation" to defend its resources. Support for Caldera's nationalist program has been broad, but responsible political groups are getting worried about possible damage to the foreign investment climate and Venezuelan exports.

The growing concern that Caracas has gone too far down the nationalist path may make it politically possible for Caldera to take an accommodating line with the oil companies. Recent statements by government officials reflect a more defensive stance. The minister of mines, for example, has denied that a showdown with the US is building and has emphasized the two countries' common interest in oil.

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El Salvador: How to Win an Election

The presidential election on 20 February promises to be one of the closest in the nation's history, and three of the four candidates are campaigning vigorously, hoping to get a

Molina, for instance, has visited all 261 municipalities and has begun a second round, concentrating on areas where other parties may have gained support. Duarte, by far the best TV campaigner, has been making frequent use of that medium. At present reading, Molina is the front runner, although he may not poll a clear majority.

While the campaign has been hard, it had been uneventful until last week when the parties began filing for the legislative and municipal elections next month. The government's use of technicalities to disqualify some of the legislative candidates is considered harassment by the opposition parties, even though they admit it was justified in some cases. Duarte's opposition coalition stands to lose about nine legislative seats if the rejection of its slates in five departments stands. This is an especially bitter pill for Duarte's Christian Democratic Party, the major component of the coalition. The Christian Democrats have held a large minority of the legislature since 1964 and have generally acted as a constructive opposition. The two small rightist parties, which pin their hopes entirely on the legislative and municipal elections, were also badly hurt; one has been disqualified in six departments and the other in five.

Even though these initial decisions can be appealed—perhaps successfully—they add up to poor political tactics, especially for an administration that has generally acted with maturity and restraint. Some backlash is almost certain. El Salvador's democratic experience is not deeply rooted, and the prospect, however slim, of an opposition victory apparently led to this political overkill.

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Bolivia: Church and State

The government has narrowly escaped a major showdown with the Catholic Church, but serious points of friction remain.

The church last week defended a two-day hunger strike by relatives of political prisoners as legitimate pressure on President Banzer's coalition government to comply with "elementary human rights." Under some stimulus from congregations and fearful that leftist clergymen would use the issue to embarrass the church, the traditionally conservative Catholic hierarchy came down strongly behind those seeking the prisoners' release. Archbishop Manrique of La Paz warned that anyone forcing his way into the church where the hunger strike was held would be automatically excommunicated.

The episode occurred just when the regime and the church seemed on the verge of a rapprochement following controversies over earlier intrusions onto church property and the government's expulsion of so-called "third-world" priests. In its communiqué on the prisoners, the church accused unspecified elements in the government of using the "third-world" label to strike at any priest speaking of social justice.

In response to a rising public clamor, the government had already promised to expedite its investigations and free individuals whose "offenses" were not serious, but it stressed that former participants in guerrilla activities would receive neither freedom nor leniency. Many prisoners have, in fact, been freed or exiled, but the government has been unable to find places of asylum for several hundred others it is loath to let loose in Bolivia. Following the church intervention, Interior Minister Adett-Zamora again pledged to accelerate legal processing and told the hunger strikers he expected individual interviews

with the prisoners to result in the release of all but about 50.

Adett appeared to be stalling for time while trying to refocus public attention on the machinations of leftist exiles in Chile. Expanding on Banzer's earlier accusation that Chile had "converted itself into a base of political hostility toward Bolivia with encouragement from Cuba," Adett told the prisoners' relatives that an international anti-government conspiracy was even then trying to carry out its plot to kill President Banzer during the pre-Lenten carnival period. Adett charged that many previously released prisoners were involved in the conspiracy and that small groups of leftist extremists had begun infiltrating into Bolivia from Chile.

The Banzer government may honestly believe otherwise, but the Chilean-based leftist exiles' Anti-Imperialist Revolutionary Front is incapable of mounting a sustained campaign in Bolivia. While the Chilean Government has tolerated the front's political activities, significant support has been forthcoming only unofficially from Chilean political groups, some of which are members of President Allende's Popular Unity coalition.

The Bolivian Catholic Church may not be a particularly powerful friend, but Banzer probably realizes that it could be dangerous as an enemy. The church's entry into the lists on the political prisoner question puts the government under intense pressure to come up with a solution, and it seems likely that most of the prisoners will be released eventually. The issue of the "third-world" priests may turn out to be more explosive in the long run.

Adett gives prisoner's relatives the word.



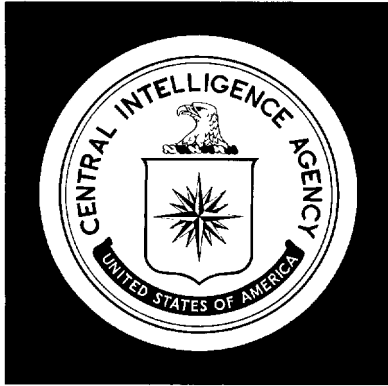
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DIRECTORATE OF
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WEEKLY SUMMARY

Special Report

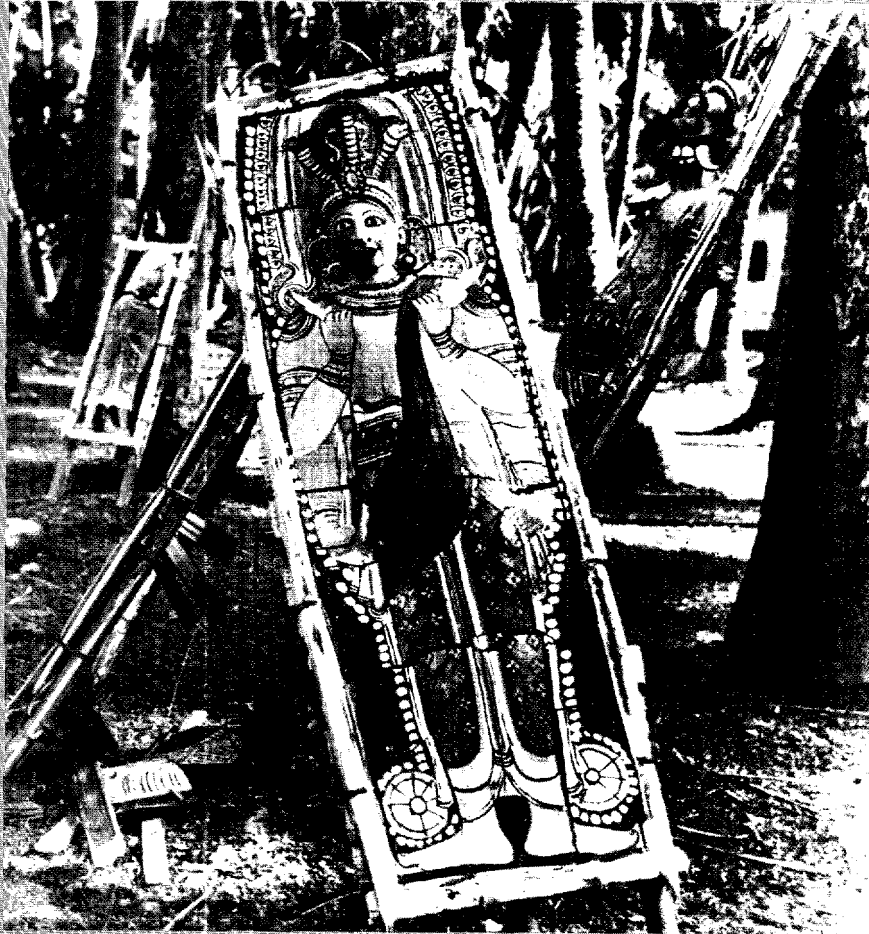
Ceylon: Threats to Political Stability

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In April 1971, Ceylon—once a relatively tranquil and prosperous island in the seething South Asian region—was wracked by an insurrection that threatened to destroy the country's political system. The insurgents were routed, partly because of their own tactical mistakes and partly because the government's ill-prepared security forces were strengthened by foreign military assistance. Several thousand insurgents were killed, and about 15,000 were captured and placed in government detention camps, leaving only a few hundred hard-core rebels at large.

As the insurrection's first anniversary approaches, Ceylon remains a troubled country. Most of the conditions that gave rise to the events of last April are still present, and the island's political stability may well be sorely tested in the months ahead.

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CEYLON: THREATS TO POLITICAL STABILITY

The Seeds of Revolt

The insurrection was triggered by a combination of economic, social, and security factors. Economic deterioration since the mid-1960s had brought a steady rise in unemployment—about 15 percent of the work force was jobless at the time of the insurrection—and in underemployment. The problem was particularly serious in rural and village areas, where educated young men who lacked training in English and modern technical subjects, and in many cases also suffered from discrimination because of membership in one of the less-privileged castes, were finding their job prospects even more limited than those of other Ceylonese. Because of Ceylon's literacy rate—about 80 percent—and consequent high levels of expectation, resentment at the lack of work opportunities was keener than it might have been in a less-sophisticated society. Inflation had also begun to plague the island. Prices, previously fairly stable, rose at an average annual rate of over six percent between 1968 and 1970. At the same time, there was a growing conviction among many Ceylonese—particularly among village youths—that the legislators and administrators in Co-

lombo, irrespective of political affiliation, were frequently corrupt and were failing to come to grips with the country's problems as they remained comfortably ensconced in the capital.

A catalyst to the smoldering discontent among the young appeared in the late 1960s in the person of a charismatic radical youth leader, Rohan Wijeweera. Under Wijeweera's leadership, a guerrilla organization was created, composed largely of unemployed rural youths and called the People's Liberation Front (*Janatha Vimukthi Peramuna*). Wijeweera was arrested in early 1970, then released in July by the newly elected leftist coalition government headed by Prime Minister Sirimavo Bandaranaike. The weakness and complacency of Ceylon's security services enabled Wijeweera's group to continue spreading its revolutionary message through the countryside and, after briefly supporting Mrs. Bandaranaike's government, to launch an audacious attempt to seize control of the country. Had the insurgents been better armed, and had they sustained the momentum of their successful initial attacks on police posts, towns, and transportation and

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Security Forces with Captured Insurgents

communications links, they might well have succeeded in crippling the poorly trained, ill-armed security forces and in bringing down the government.

Security Forces Beefed Up...

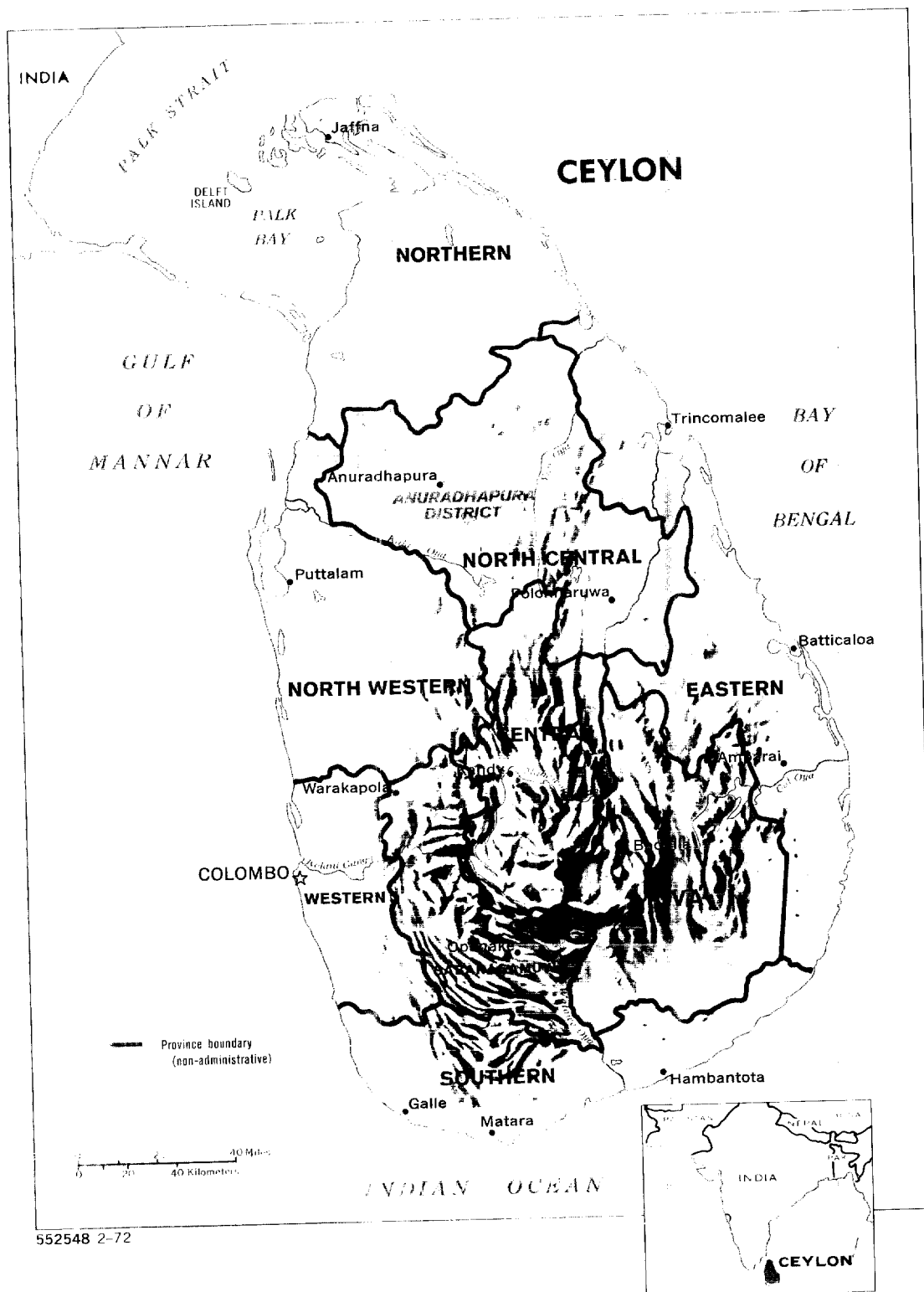
Colombo's internal security services have been strengthened significantly since last April. Annual military spending has been increased by about two thirds. The security forces, which consisted of 32,000 policemen, military personnel, and reservists a year ago, have reportedly been augmented by several thousand men. Badly needed equipment has been acquired. When the insurgency broke out, the armored corps had some 30 armored cars and scout cars, and the air force's capability for tactical air support consisted of nine T-51 Provost jet trainers and three helicopters. Since then, the UK has provided 40 armored cars, as well as six helicopters which came originally from the US. Both the UK and India have furnished small arms and ammunition. The US is providing four helicopters, ten Cessna light aircraft, ground vehicles, communications equipment, and spare engines and parts. Moscow

has furnished five MIG-17 fighters, two helicopters, and ten armored personnel carriers, together with technicians and advisers who returned to the Soviet Union after a short stay. The Soviets have also provided modest quantities of bombs, rockets, and machine guns. Peking has sent two patrol boats.

The security establishment, however, probably remains less formidable than the addition of this equipment might suggest. The morale of Ceylon's approximately 12,000 police is low, in part because the policemen are not content with their wages and working conditions, and in part because of the generally poor showing by the police during last year's insurrection. Cooperation is lacking between the police and the army, which performed relatively well last April and holds the police in low regard. Both the police and the military, moreover, contain elements sympathetic to the insurgents.

...But Little Else Has Changed

Although most rebels have been incarcerated and the police and armed forces beefed up, little





has been done over the past year in improving social and economic conditions. The public in general, and younger people in particular, still tend to scorn politicians of all major parties and government officials in Colombo as generally ineffectual, often corrupt, and out of touch with the needs of the people. The economy, moreover, remains sluggish. Despite growing budget deficits, Mrs. Bandaranaike's government has been reluctant to temper its costly social welfare programs with austerity measures. New private investment has ground to a virtual halt as foreign and domestic businessmen grow uneasy about the anti-capitalist predilections of several key cabinet ministers. Further inroads by the public sector are likely. Among the measures that have troubled private investors since Mrs. Bandaranaike's government came to power are:

- a proposed income ceiling and restrictions on the repatriation of profits;
- a Business Acquisitions Act empowering the government, whenever it chooses, to acquire any property or business employing over 100 persons;
- further severe restrictions on the use of foreign exchange to import industrial raw materials and machinery;

- and the establishment of a state monopoly controlling the import and distribution of a number of commodities previously handled by the private sector.

Meanwhile, many consumer goods have been growing scarcer, in part because of years of deteriorating terms of trade, stagnating exports, and low foreign exchange reserves in a country heavily dependent on imports. Services also are gradually deteriorating. Inflation, moreover, is worsening. During the first eleven months of 1971, the cost of living in Colombo rose by about six percent, with more than half of the increase occurring in October and November.

Perhaps most serious is the persistence of the high unemployment rate. Roughly 15 percent of the labor force, or more than 500,000 people, are jobless. The majority of the unemployed are under 25, live in rural areas, and have at least some education. In addition, many thousands hold jobs they regard as below their capacities.

Unrest among Ceylon's labor unions has been only sporadic in recent months, largely



Troops in Colombo

because the emergency regulations in effect since last March make strikes and demonstrations more difficult. Many unions, moreover, are affiliated with the Trotskyite and Communist parties that are junior partners in Mrs. Bandaranaike's government coalition. Most workers are unhappy with the current state of the economy, and labor agitation remains a constant threat.

The Insurgents: Bloodied but Unbowed

The guerrilla movement itself, although decisively defeated last year, has not been destroyed. Probably between 500 and 1,000 guerrillas are active at present. A large proportion of these are believed to be in rural hill areas in the Anuradhapura District of the North Central Province. The Ceylonese Army claims it has had 1,000 men searching for insurgents in this province since early January, but very few are reported to have been found. Scattered small bands also are reportedly at large in southwestern Ceylon, possibly including some in Colombo.

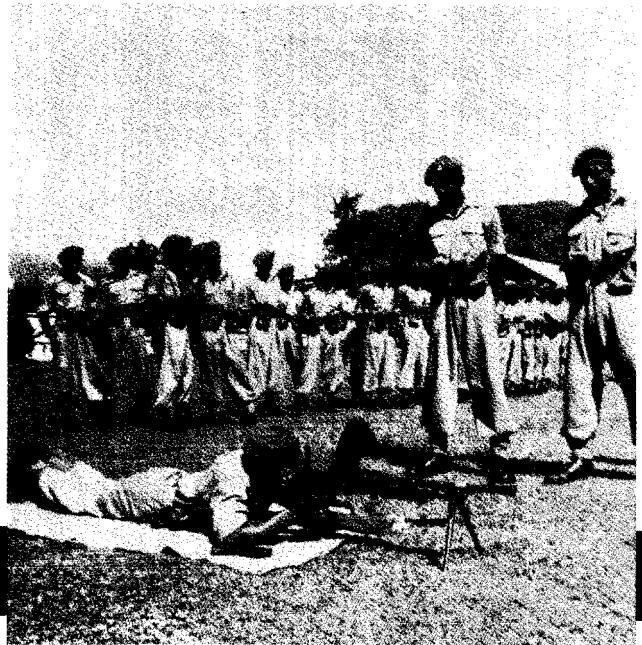
The guerrilla movement as a whole is sometimes referred to as the "Che Guevarists." Most of

the guerrillas belong to Wijeweera's Liberation Front. Another well-known band is headed by a former pro-Peking Communist, G. D. I. Dharmasekera. This group gained notoriety in March 1971 when some 10 to 15 of its members attacked the US Embassy in Colombo. Wijeweera is currently in government custody, but Dharmasekera is at large.

Rebel activities in recent months have consisted largely of occasional robberies and kidnappings, wall slogan writing, and efforts to recruit new personnel. The rebels reportedly are seeking recruits in both rural and urban areas. They also are now recruiting among members of the minority Tamil community, about 22 percent of Ceylon's population, as well as among the majority Sinhalese. By contrast, last year's uprising was carried out almost entirely by young Sinhalese.

The insurgent bands at large generally number from 15 to 30 and are poorly armed. The number of weapons they have is limited and consists largely of shotguns, some rifles, and crude

Ceylonese Army Training on Bren Guns



hand bombs. The rebels are not known to be receiving any arms or other assistance from outside Ceylon. They apparently do not harbor any illusions about being able soon to overthrow the government through a sudden uprising such as that of last April. Instead, they appear to be trying to rebuild their movement in order to bring about the government's downfall at some future date.

A Myriad of Possibilities

The efforts of Ceylon's young rebels could evolve in any of several directions. A major determinant will be the fate of the 13,000-14,000 accused insurgents still in detention camps. Mrs. Bandaranaike's government has been unable to decide what to do with these youths. Eventually it may place a few on trial, detain some indefinitely, and release others outright. During their many months of confinement, the young prisoners have been growing even more resentful toward the Ceylonese establishment and have undoubtedly been planning future revolutionary activities. The release of a few thousand would considerably enhance the disruptive capabilities of the guerrilla movement.

Lacking good prospects for an early overthrow of the government, the rebel movement might evolve away from its proclivity for violent action and grow into a somewhat more conventional far-left political movement. Such a movement would probably enjoy considerable popular support. Most Ceylonese are unhappy with the performance of recent governments. Many are believed to harbor considerable admiration for the youthful revolutionaries and might give electoral support to such a political party.

The possibility that the rebel movement might develop into a non-violent political organization may be discouraged by Ceylon's new constitution. The present draft, which is expected to be promulgated next month, includes provisions that would postpone national elections—now required to take place no later than May 1975—until 1978, or even later if the government chooses to continue or reimpose the present state of emergency. By delaying the opportunity for replacing the government through the electoral process, the new constitution could help reinforce the rebels' preference for direct action. The postponement of elections for three or more years

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could also help to broaden the rebel movement's base; many Ceylonese who have preferred to replace governments through the ballot box might, in their frustration, grow more sympathetic to an extra-constitutional approach.

Another possible danger to democracy could come from a different direction. Substantial power gains either by the young radicals or by leftists already within the government could trigger a pre-emptive seizure of power by right-of-center military and civilian elements. If successfully carried out, this would be Ceylon's first coup in 24 years of independence. Such a regime probably would postpone the release of imprisoned insurgents and step up efforts to suppress those at large. Yet another possibility is an attempt by leftists within the armed forces and the government to seize power.

At present, however, no political or military figures are in evidence who seem likely to lead a coup in the near future. The army commander, Maj. Gen. Don Sepala Attygalle, is probably in a

better position than anyone else to carry out a take-over, and from time to time he has hinted that he might make an attempt. Attygalle is known as a politically flexible individual, but it is questionable whether he has either the decisiveness or the popular and military support necessary to seize and hold power. Another factor inhibiting an early coup attempt is the considerable personal popularity enjoyed by Mrs. Bandaranaike herself, despite the rather widespread disillusionment with the government she heads. A coup from within—an extralegal seizure of added power by Mrs. Bandaranaike with either rightist or leftist military backing—is conceivable, but there is no evidence that she is contemplating such a move at present.

In short, Ceylon's political stability remains tenuous. Many Ceylonese are losing faith in the country's political system. For the moment, no group appears to be in a position to overthrow the regime. With the government showing few signs of being able to arrest the economic decline, public disenchantment and opposition are likely to intensify this year.

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